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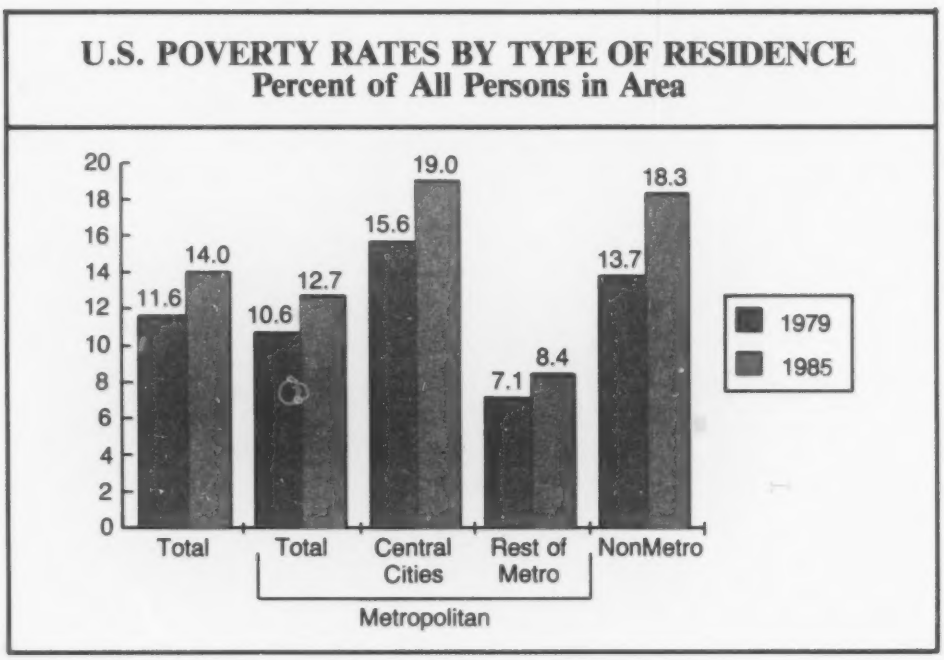
POVERTY IN AMERICA:

NEW DATA, NEW PERSPECTIVES



A Reseach Report from the
National League of Cities

About The National League of Cities

The National League of Cities was established in by 1924 and for reform-minded state municipal leagues. It now represents 49 leagues and some 1,300 cities directly and, through the membership of the state municipal leagues, more than 16,000 cities indirectly.

NLC serves as an advocate for its members in Washington in the legislative, administrative, and judicial processes that affect them; develops and pursues a national urban policy that meets the present and future needs of our nation's cities and the people who live in them; offers training, technical assistance and information to municipal officials to help them improve the quality of local government in our urban nation; and undertakes research and analysis on topics and issues of importance to the nation's cities.

POVERTY IN AMERICA:

NEW DATA, NEW PERSPECTIVES

A Research Report of

The National League of Cities

March 1987

This Report is a revised version of Part II of the March 1987 *Economic Report to The Board of Directors of the National League of Cities*. The Report was prepared by Dr. Larry C. Ledebur, President of Aslan Associates, under the direction of William R. Barnes, Director of Research, NLC.

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1. Introduction

The U.S. is losing ground in the struggle to reduce poverty. The battle is being lost in all regions and in suburbs, as well as in central cities and nonmetropolitan areas.

This adverse trend is a striking indicator of the sluggish performance of the national economy. Especially notable is the increase in poverty among those who hold jobs.

The most recent data, for the year 1985, document these changes and help us look at the distribution of poverty in different places.[1] This locational dimension is an important--but often neglected--way of understanding the phenomenon and of determining appropriate policies.

The published data do not allow analysis by size of city or some other useful categories, but they do permit analysis by region and by metropolitan/nonmetropolitan breakdowns. (For convenience, this discussion uses the terms "urban" and "metropolitan" interchangeably).

2. Poverty and the Economy

Performance of the national economy and the issue of poverty in the United States are inextricably linked. The most effective solution to a major dimension of the problem of poverty is targeted economic growth. Effects of the reduction in unemployment on poverty rates in 1984 and 1985 highlight the importance of this linkage.

The direction of causation in this linkage, however, is not only from the national economy to poverty. Poverty has a braking influence on the vitality of the economy. Responding to the critical needs of those in poverty directs scarce national resources from other uses which might spur economic growth. Further, the segment of the poverty population which might be added to the workforce should be viewed as a national resource whose potential for productive contribution to the economy is now tragically unrealized. Realization of this potential can promote economic growth.

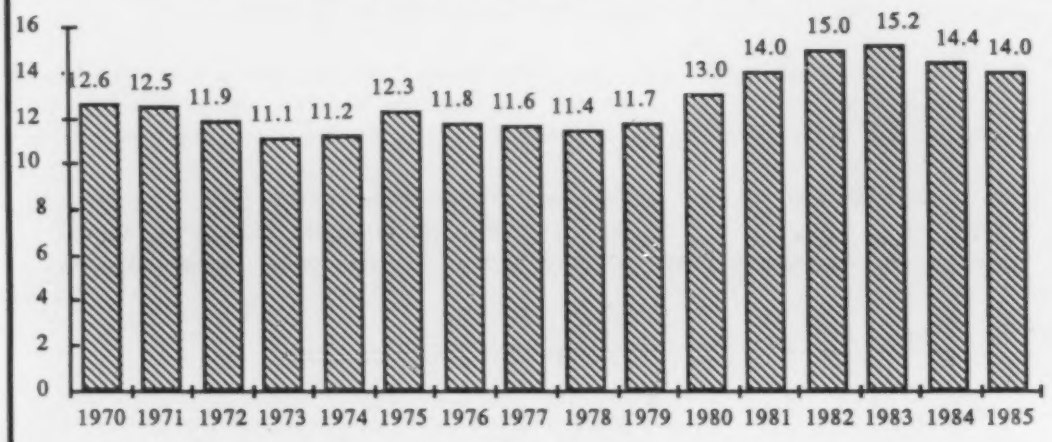
[1] U.S. Department of Commerce, Bureau of the Census, *Money Income and Poverty Status of Families and Persons in the United States, 1985* (published in August 1986).

3. National Poverty

Despite the vigorous expansion of employment opportunities in the economy, the problem of poverty has worsened in the nation. In 1985, one of every seven persons in the United States lived in poverty. The poverty rate in that year was 14.0 percent (Figure 1). This 14 percent rate of poverty translates into 33.1 million persons living in poverty in 1985.[2]

Figure 1

POVERTY RATES OF INDIVIDUALS, 1970-1985



Source: U.S. Dempartment of Commerce, Bureau of the Census,
Money Income and Poverty Status of Families and Persons in the United States, 1985

A resurgence of poverty occurred between 1979 and 1983. The rate of poverty had drifted downward throughout most of the decade of the Seventies and stood at 11.7 percent in the last year of that decade. By 1983, however, the poverty rate stood at 15.2 percent.

For the years 1970 to 1979, the average rate of poverty was 11.8 percent. The average rate for the years 1980 through 1985 was 14.3 percent, a startling increase of 21.2 percent.

The poverty rate declined by slightly more than 1 percentage point between 1983 and 1985. This slight drop reflects the fall in unemployment over this period. In light of the magnitude of the decline in the unemployment rate over this period, from 9.6 percent in 1983 to 6.9 percent in 1985, this modest reduction in the rate of poverty was disappointing.

[2]The poverty threshold for a family of four in 1985 was $10,989. The estimates of poverty in this report are based on money income and do not include the value of noncash benefits such as food stamps, medicare, Medicaid, and public housing. The poverty index is based on the Department of Agriculture Ecoomy Food Plan and reflects the different consumption requirements of families based on their size and composition.

4. Spatial Dimensions of Poverty

Media attention to the newly-released 1985 poverty data has focused primarily on the resurgence of poverty and issues such as the feminization of poverty and the emerging phenomenon of the working poor. The changing distribution of poverty - among metropolitan areas, their central cities and suburbs, nonmetropolitan areas, and among the major regions of the nation - has been largely ignored.

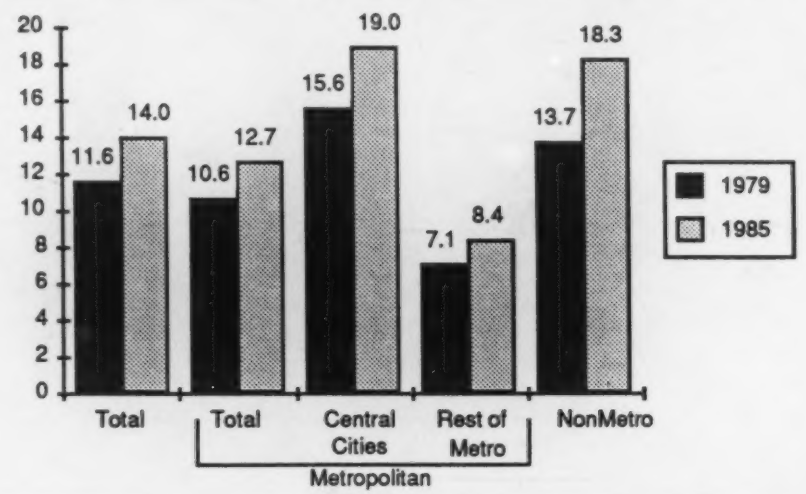
Metropolitan/Nonmetropolitan Dimensions

The rate of poverty has increased in central cities, suburbs, and nonmetropolitan areas. This resurgence of poverty, however, is disproportionately impacting the nation's metropolitan areas.

- *A growing proportion of urban residents are afflicted by poverty.* The rate of poverty in metropolitan areas increased by 19.8 percent between 1979 and 1985 and now stands at 12.7 percent (Figure 2).

- *Central cities bore the brunt of this increase in urban poverty.* In 1985, 19 percent of the residents of the inner jurisdictions of metropolitan areas lived in poverty compared to 15.6 percent seven years earlier, an increase of 21.8 percent in the central city poverty rate.

Figure 2
U.S. POVERTY RATES BY TYPE OF RESIDENCE
Percent of All Persons in Area



- *But the rate of poverty is increasing in suburban areas, too.* The metropolitan rate of poverty outside of central cities increased from 7.1 percent in 1979 to 8.4 percent in 1985, an 18.3 percent increase in the rate of poverty in suburbs.

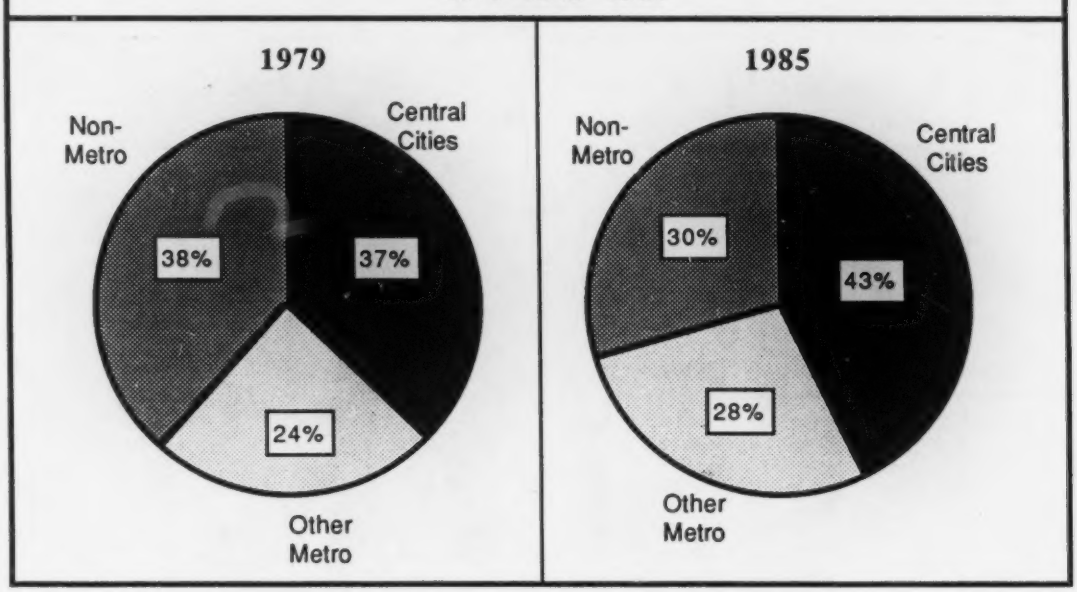
- The rate of poverty in the nation's nonmetropolitan areas is slightly below that of central cities. These less urbanized areas, however, experienced the greatest increase in the rate of poverty. By 1985, 18.3 percent of nonmetropolitan residents lived on incomes below the poverty line, an increase of 33.6 percent in the nonmetropolitan rate.

The *incidence of poverty* is a measure of the share or proportion of the nation's poverty population within a particular geographical area, spatial sector, or jurisdiction, as opposed to *poverty rates* which measure the percent of an area's population with incomes below designated poverty levels.

- *The majority of the poor reside in the nation's metropolitan areas.* In 1985, 70 percent of those in poverty were in these larger urban areas (Figure 3).

- *The metropolitan share of the poverty population has increased significantly* (12.9 percent) since 1979 when 62 percent of those below the poverty level were found in these areas.

Figure 3
DISTRIBUTION OF POVERTY BY TYPE OF RESIDENCE 1979 AND 1985



- The share of the poverty population increased in both cental cities and suburbs of metropolitan areas between 1979 and 1985.

  Δ Central cities are the repositories of a growing share of the nation's poor. The proportion of the poverty population in central cities increased from 37 to 43 percent over this seven year period.

Δ Suburbs also contain a growing share of the nation's poor, up to 28 percent in 1985.

- This changing distribution of the poverty population is not occurring through reductions in poverty in nonmetropolitan areas. Between 1979 and 1985, the number of nonmetropolitan poor increased by 787,000.

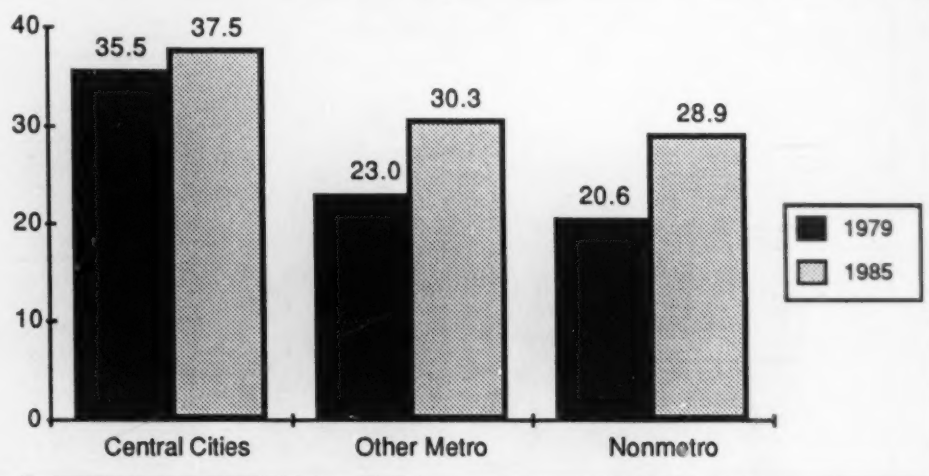
- The metropolitan poor increased by 7,645,000. Central city poverty increased by 5,739,000. In suburban areas, 1,906,000 persons were added to the poverty population between 1979 and 1985.

Concentrated Poverty Areas

Measures of metropolitan and central city poverty fail to capture the true extent to which economic deprivation is concentrated in some areas of the nation's cities. Rates of poverty in these concentrated pockets of poverty are alarmingly high and are increasing (Figure 4).[3]

- In central cities, the rate of poverty in poverty areas exceeded 37 percent in 1985, an increase of 2 percentage points between 1979 and 1985.

Figure 4
U.S. POVERTY BY TYPE OF RESIDENCE: IN POVERTY AREAS
Percent of All Persons in Area



[3] *Areas of poverty* are Census tracts in which over 20% of the population were in poverty in the 1980 Census.

- The greatest jump in poverty rates in metropolitan areas, however, occurred in poverty areas outside of central cities. Over the seven year period the rate of poverty in these suburban areas of concentration increased over 7 percentage points and stood at 30.3 percent in 1985.

- Poverty rates in nonmetropolitan poverty areas remained below rates in metropolitan areas. These poverty areas outside of the nation's urban areas, however, experienced the greatest growth in poverty rates, an increase of over 8 percentage points.

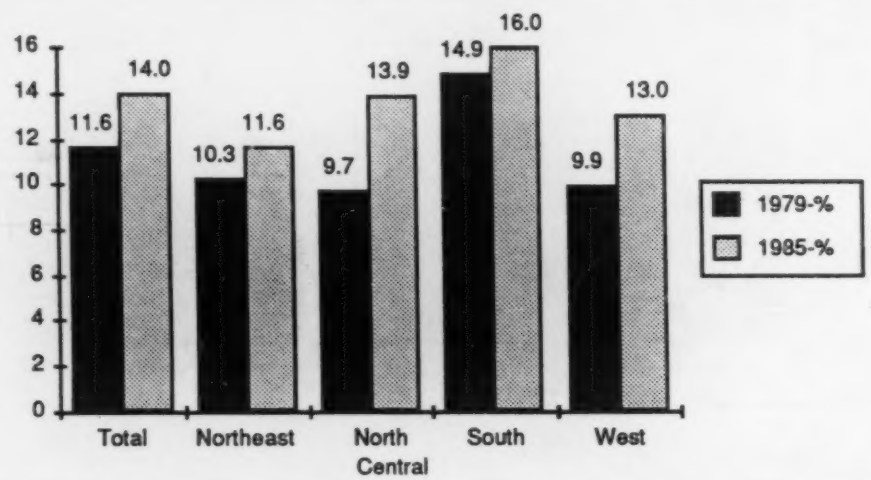
4. Regional Dimensions

Advance data from the Census Bureau do not permit breakdown of the regional dimensions of poverty by metropolitan and nonmetropolitan locations. Increases in poverty rates for the four major U.S. regions between 1979 and 1985, however, suggest that the growth of urban poverty may be occuring in each of these regions of the nation.

- The rate of poverty increased in each of the four major U.S. regions between 1979 and 1985 (Table 1 and Figure 5).

- The South, which has the highest rate of poverty (16.0% in 1985) experienced the lowest rate of increase between 1979 and 1985, followed by the Northeast.

Figure 5
U.S. POVERTY BY REGION
Percent of All Persons in Area



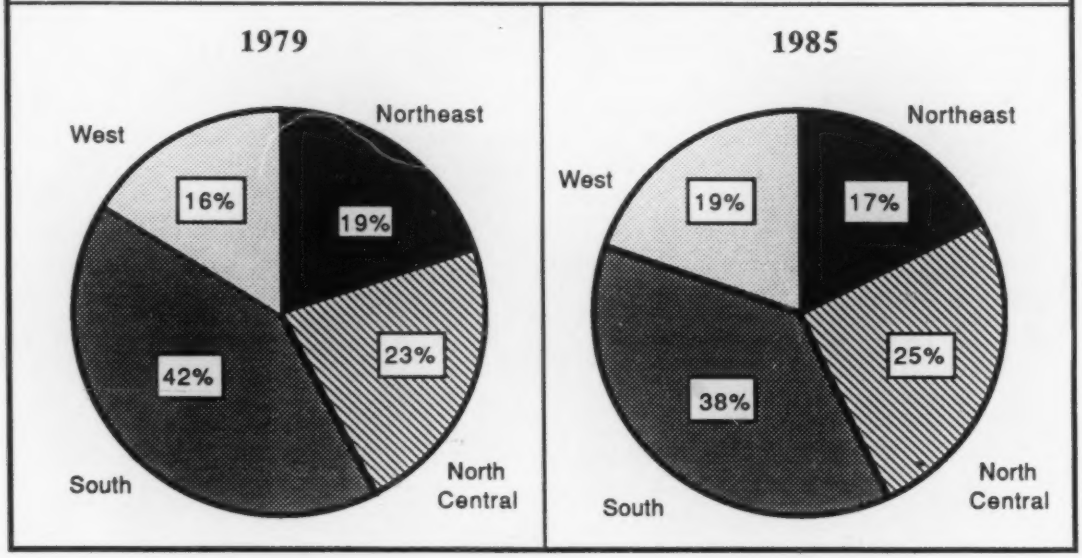
- The North Central, sorely impacted by the process of industrial restructuring, suffered the greatest increase (4.2 percentage points, or a change of 43.3 percent in the rate), followed by the West (3.1 percentage points, a 31.3 increase in the rate).

Table 1
PERCENT INCREASE IN POVERTY RATES BY REGION
1979-1985

Northeast	12.6%
North Central	43.3%
South	7.4%
West	31.3%

These changes in the rate of poverty across regions are reflected in changes in the distribution of the poverty population among regions (Figure 6).

Figure 6
U.S. POVERTY BY REGION
Percent of Total Persons in Poverty



- The South continues to have the largest share of the nation's poor. In 1985, 38 percent of those in poverty resided in the Southern states.
- The South's share of the poverty population is declining. Seven years earlier, 42 percent of the poor were in these states.
- This decline has occurred, however, not because the South has made progress against poverty, but because of the growth of poverty in other regions.
- Both the West and the North Central regions now have greater shares of the nation's poor than in 1979.

- The Northeast experienced a decline in the share of the poverty population . As in the South, this decline was driven by the growth of poverty in the West and North Central, rather than a reduction in the Northeast's poverty population.

5. Emergent Issue: The Working Poor[4]

The pervasiveness of poverty among persons living in female-headed households has been widely reported. In 1984, one-third (34 percent) of those living in female headed households were poor. (The rate of poverty for persons in other families was 9.3 percent.) Moreover, one-third of all persons in poverty (33.1 percent) lived in female-headed households with children, and 48.1 percent of families in poverty were female-headed households.

Increases in poverty since 1979, however, are not a consequence of increases in poverty among female-headed households. Recent research has documented that increases in the number of female-headed households "contributed almost nothing to the sharp increase in poverty that occurred between 1979 and 1983."[5] The majority of the increase in the poverty population since 1979 do not live in female-headed households. Poverty has now become more extensive in other components of the population.

Poverty among children, for example, has increased substantially. In 1979, 16.1 percent of related children under 18 years of age lived in a poverty household; in 1985, the figure was 20.5 percent, an increase of 27.3 percent in the rate over this six year period.

Attention is also now focusing on the *working poor.* An understanding of this dimension of poverty is particularly important in the context of discussions of welfare reform that involve the welfare-to-work transition.

- The number of workers living in poverty between the ages of 22 and 64 increased more than 60 percent between 1978 and 1984.
- The number of those working full time who are poor increased by 66 percent over this period.
- Sixty-four percent of the heads of households in poverty that can be expected to work do so over the course of the year (Figure 7).

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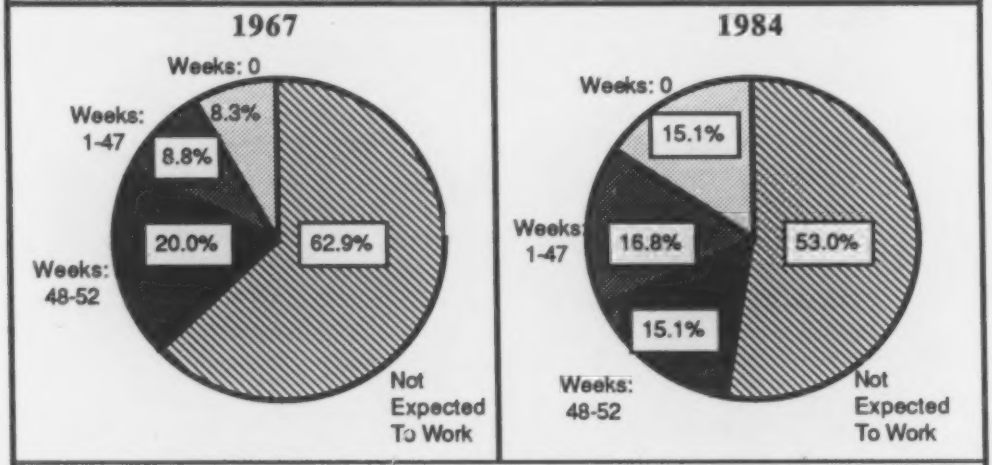
[4]These findings are drawn from:

Center on Budget and Policy Priorities, *Smaller Slices of the Pie: The Growing Economic Vulnerability of Poor and Moderate Income Americans,* (Washington, D.C., November 1985).

Sheldon Danziger and Peter Gottschalk, "Work, Poverty, and the Working Poor," in *Work and Poverty: the Special Problems of the Working Poor,* Hearings before a Subcommittee of the Committee on Government Operations, U.S. House of Representatives, December 12, 1985.
Bob Greenstein, "The Working Poor," August 1986. Unsourced.

[5]Mary Joe Bane, Executive Deputy Commissioner of the New York State Department of Social Services, reported in *Smaller Slices of the Pie,* p. 12.

Figure 7
WORK CHARACTERISTICS OF POVERTY HOUSEHOLDS



Note: Those not expected to work include the elderly, disabled, students, and single mothers of small children

Source Danziger and Gottschalk, Work, Poverty and the Working Poor, Page 13.

- Eighty percent of all families of the working poor have two parents present, and more than two-thirds of all full-time workers in poverty are males.

Causes of Increases in the Working Poor

Causes of this growth in the numbers of individuals and families who are working but in poverty are poorly understood. Three causes, however, are apparent.

1. Slowing of New Job Creation[6]

The national economy continues to be a remarkable engine for the creation of new jobs, generating approximately 1.6 million net new jobs per year since 1981.

This, however, represents a slowdown in the rate of new job generation achieved over the four years preceeding 1981. Between 1976 and 1980, 1.8 million new jobs were generated annually, or 200,000 per year more than in the post-1980 period.

If this earlier rate of job generation had continued through the mid-1980s, an additional 1 million jobs would have been created and the civilian unemployment rate would be approximately 6.3 percent.

[6]Drawn from Barry Bluestone and Bennett Harrison, "The Great American Job Machine: The Proliferation of Low Wage Employment in the U.S. Economy," Study prepared for the Joint Economic Committee of the U.S. Congress, December, 1986.

2. Economic Restructuring and the Composition of New Jobs

The ongoing restructuring of the national economy is resulting in a significant shift in the structure of national employment. Services continue to be the primary employment growth sector in the U.S. economy. Employment in manufacturing and construction has declined by a half million workers since 1981.

This shift to services, as well as the growing number of part-time jobs, is also a shift to lower paying jobs. Recent research indicates:[7]

> *...new employment created between 1979 and 1984 has occurred disproportionately at the low extreme of the wage and salary distribution (i.e. below $7,000 in 1984 dollars). Specifically, during the 1970s about one out of every five net additional wage-earners found a job (or jobs) paying as little as $7,000. Since 1979, that fraction has risen to nearly six in ten.*
>
> *During the second subperiod (1979-1984), the number of workers with earnings as high or higher than the 1973 median ($14,024 in 1984 dollars) actually declined by 1.8 million, while workers with earnings less than the 1973 real median increased by some 9.9 million.*

Controversy has arisen about the dimensions of this problem and whether it results from the type of new jobs being generated or the characteristics of new entrants to the labor force. At the least, the evidence suggests that a significant and, perhaps, growing proportion of new job opportunities provide tenuous security and stability.

3. The Minimum Wage

The minimum wage has not been revised since the first month of 1981. Over the subsequent period, inflation has eroded the purchasing power of the dollar by 25 percent. As a consequence, since 1980, a family of three persons with one wage earner working full time for minimum wages without other sources of income would be poor (Table 2). In 1985, this family would have an income equal to 78.2 percent of the poverty level.

[7]Bluestone and Harrison, *Ibid.*

Table 2
MINIMUM WAGE AND POVERTY

Year	Hourly Minimum Wage	Annual Earning for 2,000 Hours' Work (50 weeks of 40 hours)	Poverty Level (3 Persons)	Full-Time Minimum Wage Earnings as Percent of Poverty Level for Three
1964	$1.25	$2,500	$2,413	103.6%
1969	1.60	3,200	2,924	109.4
1974	2.00	4,000	3,936	101.6
1979	2.90	5,800	5,784	100.3
1980	3.10	6,200	6,565	94.4
1981	3.35	6,700	7,250	92.4
1982	3.35	6,700	7,693	87.1
1983	3.35	6,700	7,938	84.4
1984	3.35	6,700	8,277	80.9
1985	3.35	6,700	8,570	78.2

Source: *The Growth in Poverty: 1979-1985: Economic and Demographic Factors,* A Staff Study Prepared for The Joint Economic Committee of the U.S. Congress, December 1986.

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